

# PIEDMONT Business Journal

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*Covering the business communities of Culpeper, Fauquier and Prince William counties*



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# Golden goose needs lower-fat diet



Piedmont Business Journal Photos/Randy Litzinger

**STANDING TALL:** Smith-Midland Corp. recorded record profits in 2009, a mark eclipsed in 2010. Times got a little tougher in 2011, and while it likely won't be another record year, President Ashley Smith is happy with the company's progress.

By **BILL WALSH**  
Piedmont Business Journal Staff  
Writer

We met with Smith-Midland president and COO Ashley Smith at the Midland plant in early December.

"Generally, and this is business as well as personal, I feel that the capitalistic, free-enterprise system is the greatest system in the world," he said by way of preamble to our discussion — and our opening question about whether excessive taxation was a too-big challenge for businesses in the U.S.

"I think that the government helps to keep that [system] going. I think, obviously, that paying taxes is important; you have to do that to support the system.

"You could call that system the goose that lays the golden egg, because it does keep our free-enterprise system working.

"My feeling," he added, "is that the goose has gotten too fat."

Businesses here pay higher taxes than in any other industrialized country, Smith pointed out.

"The tax rate in Switzerland is about half what ours is. For a lot of different reasons, they are not feeling all the problems that the rest of Europe is having.

"Is that because of the low tax rate? I don't know, but it probably helps."

Smith said that a lower corporate tax rate — 20, perhaps 25 percent, he suggested, not the current 35 percent — would result in greater business investment.

Certainly that would be the case in Midland.

"The more tax money we could keep, the more we would invest in the business, the more we would invest in our community," Smith said. "We support a lot of local groups and charities. We don't do as much as we'd like to do, but certainly, if we had more

## View from the top

*Piedmont Business Journal* sat down with upper-echelon executives of three top companies in our readership area in November and December. The general topic of discussion: What can be done to get the economy going again?

money, we could invest it here as well as in the community."

We asked Smith if it were his sense that most businesses of his size — about 150 employees — were, in reality, paying a 35 percent corporate tax rate. Or if they were as slippery as, say, General Electric.

"If I had to guess, I'd say yes," they are paying Smith said. "Small business is fighting a daily battle trying to get the product made and shipped. That's what we're focusing on," not, he said, hiring an army of lawyers to find and exploit all the tax loopholes.

One of the other big complaints is that American business is over-regulated.

"Environmental regulations are important," Smith said. "We certainly want to protect everyone who works here and our neighbors and people downstream. Licking Run goes right through our property."

But there is regulation, and there is regulation that doesn't make a whole lot of sense, Smith went on.

"One of the things that has cost us a lot of money is we've got to do water samples every day of some of our outflow," he said by way of example of the latter.

"Back in the old days, we could take the samples ourselves and send them out to a



lab. Now you have to have someone who is licensed by the state.

"We are paying \$75 a day to have somebody come in and take a water sample," he said.

Efforts to train and certify someone on staff didn't work, Smith said, because of state regulations that stipulate such a staffer would have had to have worked for a water company for at least two years.

"It seems like each year, incrementally, the [environmental] rules get a little bit stricter," Smith said.

In part, he suggested, that is in response to the occasional bad actor who plagues every industry. In part, it might be regulation-directing boards that are peopled by folks involved in the industries they are overseeing.

"I can only speculate that some of the people on the boards maybe have a vested interest," in seeing that newcomers and start ups don't have an easy go of it, Smith said.

"What happens in business is that every time you turn around there is another little

stumbling block. It's not big, but after five years or 10 years, they add up," he said. "It's maybe another...two people we have to have here, filling out paperwork.

"When we go to job sites, the paperwork has increased tremendously."

Government is an easily recognized culprit, but not the only one, Smith said.

In recent years, Smith-Midland has successfully secured a number of Department of Defense contracts. Working with DoD is pretty smooth, all things considered.

"We also work as a subcontractor or material supplier," on some DoD jobs, he said. "Those other companies have procedures in place, maybe not dictated by the government, but we are doing all sorts of paperwork with them.

"For example, we did a project for Camp Lejeune where an old warehouse was cleared out, and we went in and built a small Afghan village inside this warehouse," Smith said.

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## Grassroots management

In the last several years, Smith-Midland President and COO Ashley Smith said, the company has invested in projects designed to improve working conditions at the manufacturing plant near Midland.

"We have a new break room, a new restroom/locker room," he said. "We are trying to make a better environment for the people who work here.

"Out back, we put a roof over one of our areas where for years they have been working outside."

He is interested in providing more than physical comfort to his employees, Smith said.

"We want to engage peo-

ple so that they are not just here to do a job and get their hands dirty. We want their minds, too," Smith said.

"What we are trying to do is shift to a new model where instead of being top-down driven, we are trying to engage everybody to get their best ideas," he said.

"Folks out on the shop floor are working every day at their job. Certainly, I can come out during the day and look around and say why aren't we doing this or why aren't we doing that? But they are the best people, they have the best knowledge of how to make things better. What we are trying to do is encourage that," he said.

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are more important in business than any other attribute. Culture defines the leadership and leadership defines the business. A successful enterprise is one that maintains a culture in which the business thrives while providing opportunities at all levels and achieving profitability.

### A series of thoughts, strategies and ideas from...



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**FAMILY AFFAIR:** Brothers Roderick Smith, left, and Ashley Smith confer on a project in December. Roderick Smith serves as the company's batch plant manager.

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"After we put our buildings in, they came in and put dirt down, they painted it up, they have people in there, actors, that portray Afghan people. They actually put smells in there for live-immersion training.

"They have 72 cameras around this warehouse, and they videotape all the actions and interactions of the Marines. Later, they can sit down and tell them, you did this right, you did this wrong, you need to work on this.

"The DoD was obviously the end user, but there were big, corporate construction-management companies between us and them. We filled out stacks of paperwork just to get the job.

"It was a nice job for us, but what we have found is some of those jobs just end up having so much paperwork and so many

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**FAR AFIELD:** Smith-Midland started some 50-plus years ago making concrete cattle guards. Today, the company is much more closely associated with cutting-edge concrete products for commercial and retail construction and for a growing relationship with the U.S. government.

## SMITH

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forms to fill out," that they are just not worth bidding.

**How much of the paperwork is just...junk? How much is good, legitimate, common-sense regulation?**

"I never thought about it in those terms, and that's a hard one to answer.

"To pick a number out of the air, maybe 20, 25 percent of it is probably good.

"Regulations are there for a purpose. The state doesn't want us to pollute the air or the water, and, certainly, they feel like they have to put the rules in place because somebody somewhere

didn't care about it and polluted.

"What happens is that the 80 or 90 percent of the businesses that are doing things the right way, want to do things the right way, have to pay for the people that have gone before and have not done the right thing.

"We are not perfect, but we try to be when it comes to all of that."

**According to many critics, on the political right especially, President Obama's health-care reform will put an unsustainable burden on businesses, big and small? How will the Affordable Health Care Act affect Smith-Midland?**

"I don't think we know yet; the jury is still out.

"The sense I get on health care is that nobody really knows

what the bottom line is going to be. Nancy Pelosi had the famous line, 'we'll pass it, then we'll read it to see what's in it.' To people out here trying to run a business, that's kind of a scary thought.

"From everything that we hear and read, we are going to get socked with some big increases. But we have had company-provided health care for decades, so we are certainly not planning on going backward.

**Businesses are growing increasingly concerned about the lack of infrastructure investment in this country. Given that Smith-Midland is involved in some of that construction, and given that you need some of that infrastructure—good roads and rail to get your product moved—you have an interesting perspective on the debate.**

"Virginia has a problem with roads and infrastructure," even if it is one of the most progressive in terms of public/private partnerships, Smith said.

"Virginia is leading the way and is being pretty innovative. Some people say, hey, I shouldn't have to pay [tolls] for roads, but the fact is, if we want to get them built faster, and this is available, I think it's a good way to go.

"The gas tax has not been raised since Gov. Ballles. As I said before, I think we pay enough taxes already; and I'm not looking for more. But we have to do something. Virginia is just way behind, and that affects everything.

"Ride up I-66 in the morning or I-95 and you can see that there is a huge competitive cost to the state" in not keeping up.



Smith-Midland has sailed through the recession, with record profits in 2009, a record broken in 2010. Hiring has been steady, and you have had no layoffs. What needs to happen to allow other companies to enjoy that success?

"A lot of it is probably tied to housing.

"Consumer spending is a huge percentage of our economy, and with all the problems with housing, people aren't spending.

"If people feel rich, they'll go out and spend money. If they don't feel rich, they won't. I think getting the housing thing fixed is key.

"You hear different programs that the federal government comes up with, and I think you need to try things, but in my opinion — and I'm not an economist and don't know much about housing — it is just going to have to kind of work itself out. You are going to have to get rid of the

backed-up inventory, and I don't know how long that is going to take.

"The deficit and the amount of money we are spending at the federal level is just sucking a lot of resources out of the economy.

"Some people think we need to have another big stimulus. I don't agree with that.

"I think we need to cut down the federal deficit and keep money in the hands of private people and businesses and let them invest. That's a lot more efficient way to do it.

The country's major companies are sitting on some \$2 trillion in cash, and insist that hiring and other investment is being curtailed by stockholders.

As a publicly traded company, do you feel any of that pressure?

"No, we are not really pressured like that. We are obviously

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a very small publicly traded company. We don't have the kind of high profile and have people on CNBC or Fox Business on the air talking about us and how much cash we have.

"From time to time, an investor will call and say, I see you have this much cash, what are your plans? But we certainly don't have a lot of pressure [from stockholders].

"We're managing this company for the best outcome for the business, and we would assume and expect that if we can make this profitable and make it good, make it a good place to work, then that benefit will go out to the shareholders.

"Bigger companies probably have a lot more pressure to make that quarterly target than we do. We're looking out five or 10 years, making decisions today based on a longer-term



Piedmont Business Journal Photos/Randy Litzinger

**ALL IN A DAY'S WORK:** Work at Smith-Midland is difficult, and, with all the moving equipment involved, often dangerous, though the company has an outstanding safety record. Company executives encourage employees at every level to contribute ideas to make the work easier, more efficient, and safer.

outlook because we don't have that kind of pressure to make earnings every quarter.

**What does the economy look**

like to you, five or 10 years out?

"In the 90s, we had a bubble, and it took a while for things to bounce back up. We think it's going to be that way

again. We don't see a big, fast, bump back up like we have seen in the past. It will be more like the 90s — slow and steady.

"We're doing a lot of things based on that, expecting the next few years to be a little tight.

"With the market being the way it is, we have to figure out how to run the business and make money in tight times. The last couple of years, we had some really good projects coming through the shop that helped. We have some things in the works now that if they hit next year or the year after, it will put us in a good position. But day in and day out, we have to just run the businesses.

"We are doing some things now with 'lean production,' 'lean management,' that will help us make money, even in a down economy.

**Will 2011 be another record year for Smith-Midland, the third in a row?**

"No. It's going to be a tough year."

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